

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ABF-01 L-03 FRB-03 OMB-01 ITC-01

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E.O. 11652: N/A

TAGS: EMIN, UNCTAD, EEC

SUBJECT: COMMISSION VIEWS TOWARD AN INTEGRATED PROGRAM FOR
COMMODITIES

REF: (A) EC BRUSSELS 8632; (B) STATE 222856; (C) EC BRUSSELS 7289

1. SUMMARY: THE EC COMMISSION HAS PROPOSED A DRAFT LETTER REGARDING THE UNCTAD INTEGRATED PROGRAM FOR COMMODITIES WHICH MEMBER STATES WILL TAKE UP SHORTLY. THIS DRAFT IS INTERROGATIVE IN APPROACH, BUT DOES SUGGEST THAT THE COMMON FUND WOULD BE A FINANCIAL MECHANISM WHICH WOULD BE A CLEARING HOUSE SYSTEM AND PERHAPS ALSO HAVE ITS OWN RESOURCES. MEMBER STATES' VIEWS DIFFER WIDELY, BUT SEVERAL EXPECT THE EC TO AGREE TO A WATERED-DOWN VERSION OF THE COMMISSION PROPOSAL. END SUMMARY.

2. THE MISSION HAS OBTAINED A COPY OF THE PROPOSED DRAFT EC REPLY TO THE UNCTAD SECRETARY GENERAL REGARDING AN INTEGRATED PROGRAM FOR COMMODITIES. (PLEASE PROTECT; COPIES ARE BEING SENT TO STATE/EB-WENDT, STATE/RPE-MCLEAN, AND US MISSION GENEVA.) MEMBER STATES WILL DISCUSS THIS DRAFT COMMISSION PROPOSAL THE WEEK OF SEPT. 27.

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COMMISSION OFFICIALS BELIEVE IT IS A BALANCED PROPOSAL WHICH

DOES NOT PREJUDICE ANY MEMBER STATE POSITION.
THEY CONSIDER IT A THOUGHTFUL EXAMINATION OF THE COMMON FUND
IDEA. INDEED, MOST OF THE DRAFT CONCERNS THE ISSUES WHICH
MUST BE ADDRESSED, AND NO EC POSITION IS TAKEN REGARDING
THEM. NEVERTHELESS, THE DRAFT SUGGESTS POSITIONS ON SEVERAL
ISSUES; THESE POSITIONS REFLECT VIEWS ALREADY PUT FORWARD
BY THE COMMISSION. (SEE REF A AND C.)

3. THE DRAFT SUGGESTS THAT THE COMMON FUND SHOULD BE A
FINANCIAL MECHANISM TO COMPLEMENT AND TO INTER-RELATE THE
FINANCIAL PROVISIONS MADE FOR THE INDIVIDUAL BUFFER STOCKS
ALREADY ESTABLISHED OR TO BE ESTABLISHED IN INDIVIDUAL
COMMODITY AGREEMENTS. A COMMON FUND COULD ACT AS A CLEARING
HOUSE BETWEEN SUCH AGREEMENTS BY PROVIDING AN INVESTMENT
OUTLET FOR SURPLUSES AND A CENTRAL SOURCE FOR LENDING TO
AGENCIES IN DEFICIT. IT IS POSSIBLE, HOWEVER, THAT OWN RESOURCES
WOULD BE REQUIRED TO ENABLE THE CLEARING HOUSE SYSTEM TO BECOME
OPERATIONAL. THE LETTER RAISES THE QUESTION WHETHER THESE OWN
RESOURCES, IF THERE ARE ANY, SHOULD BE VOLUNTARY OR OBLIGATORY.
IF OBLIGATORY, IT ASKS WHAT CRITERIA SHOULD DETERMINE THE CON-
TRIBUTIONS TO BE MADE. THE DRAFT ADDS THAT FINANCIAL ASSISTANCE
SHOULD BE SHORT-TERM, RENEWABLE LOANS, AT MARKET RATES AND
GUARANTEED BY STOCKS.

4. DECISION-MAKING PROCEDURES, INCLUDING VOTING RIGHTS,
SHOULD BE RELATED TO SOURCES OF FINANCE AND SHOULD
INCLUDE PRODUCERS AND CONSUMERS. BUT, SPECIAL WEIGHTING
TO REFLECT BROAD CONSUMER/PRODUCER INTERESTS MIGHT BE CONSIDERED.
FINALLY, THE DRAFT PROPOSES PLACING THE FUND'S MANAGEMENT
WITHIN EXISTING INTERNATIONAL ORGANIZATIONS. THIS WOULD HELP
AVOID DUPLICATION AND DEMONSTRATE INTERNATIONAL SOLIDARITY.
IT COULD BE PLACED WITHIN THE WORLD BANK GROUP, FOR EXAMPLE,
WITHOUT INFRINGING ON THE FUND'S INDEPENDENCE.

5. THIS DRAFT DOES NOT ADDRESS THE ISSUE OF POSSIBLE OTHER
ACTIVITIES OF THE COMMON FUND. FOR EXAMPLE, AS INDICATED IN
REFTELS, COMMISSION OFFICIALS HAVE IN MIND FINANCIAL INVESTMENTS
IN COMMODITY DIVERSIFICATION AND RESEARCH ACTIVITIES, AND PERHAPS
PROCESSING OF RAW MATERIALS. THESE IDEAS WILL BE PUT FORWARD
IN A SEPARATE PAPER.

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6. COMMISSION, COUNCIL AND PERMDEL OFFICIALS TELL US THAT
THE MEMBER STATES DIFFER ON THE ELEMENTS OF THE COMMISSION
PROPOSAL. THE FRG WOULD PREFER NOT TO SEND A SUBSTANTIVE
REPLY AT THIS TIME; IT FAVORS ONLY A CLEARING HOUSE FUNCTION.
UK PERMDEL OFFICIALS TELL US THAT THEY ALSO BELIEVE THE
PROPOSED DRAFT GOES TOO FAR. FRANCE REPORTEDLY GENERALLY AGREES
WITH IT, WHILE THE DUTCH WOULD LIKE TO BE MORE FORTHCOMING.

THESE SOURCES BELIEVE THAT THE MEMBER STATES WILL LIKELY AGREE TO SEND A LETTER, BUT IT WILL BE A WATERED-DOWN VERSION OF THE COMMISSION PROPOSAL. ON THE OTHER HAND, COUNCIL SOURCES SAY SEVERAL PERMEDELS HAVE THREATENED TO SEND THEIR OWN INDIVIDUAL REPLIES, SHOULD THE EC NOT AGREE TO A SUBSTANTIVE LETTER. THESE SOURCES ADD THAT THE COMMON FUND MAY COME UP IN CIEC, PARTICULARLY IF A FAVORABLE POSITION ON IT MIGHT HELP BRING THE DIALOGUE TO A SUCCESSFUL CONCLUSION. COUNCIL OFFICIALS ADD, HOWEVER, THAT SO FAR THE G-19 HAS NOT SHOWN A KEEN INTEREST IN THE INTEGRATED COMMODITY PROGRAM. HINTON

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